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INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

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STATEMENT OF JIM PEDERSON INTERNATIONAL REPRESENTATIVE INTERNATIONAL UNION UAW COMMUNITY ACTION PROGRAM before the Michigan House of Representatives Labor Committee

March 13, 2007

Good Morning. Thank you Chairman Miller and Committee for allowing me to testify on this important resolution. My name is Jim Pedersen, and I am the International Union, UAW Representative assigned from our UAW Community Action Program, or UAW CAP, to our Region 1A headquarters in Taylor. My assignment is both education and political action. On behalf of our President Ron Gettelfinger and our membership, I thank you for taking action to call upon our federal government to do something effective and comprehensive to save good jobs and communities affected by the current crisis in the domestic auto industry. The UAW urges your support and affirmative vote on House Resolution 31.

It is not news to anybody here that the U.S. automotive industry is in a critical state, with record losses in revenue, jobs and market share by U.S. – actually I should say Michigan – based companies. The huge losses are in the news media daily, along with conjecture about whom or what is to blame and why the "Big 3" are doing so badly while the foreign owned companies and divisions are doing so well. It is sufficient to simply say that Ford, GM and Chrysler are not selling enough vehicles at a high enough price to cover their fixed and variable costs to be profitable. I believe we can also all agree that foreign companies doing business in the U.S. are able to be profitable. It can be shown that the Big 3 operations and workforce are just as skilled and productive as their foreign-owned counterparts, that the quality and safety of the domestics are relatively equal to foreign companies'. Independent studies have shown that productivity and quality gaps have narrowed to the point where some Big 3 operations are better than some foreign, and vice-versa. Aside from some things out of the control of autoworkers, our companies can succeed in the market. It is these things out of our control that a "Marshall Plan" can address.

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The least accountable variable affecting autoworkers is the market, and the current push for more fuel-efficient vehicles. Just eight years ago, Ford posted a record profit based on their success in the large SUV and pickup truck market. They had five plants churning out nothing but F-150s on two ten hour shifts, and the Wayne, Michigan Expedition/Navigator plant had to add a third shift, an almost unheard of phenomenon, to keep up with demand. GM was selling all of the big cars and trucks it could make, and Chrysler brought many new versions of these popular vehicles to market. Keep in mind it usually takes four to five years to bring a vehicle to market from concept to showroom. Nobody could have imagined the fast shift in the market away from these popular vehicles, but foreign companies, with decades of experience and a huge capacity for making fuel-efficient vehicles, quickly took market share from the Big 3. A "Marshall Plan" for making alternative fuel, hybrid powered and more efficient vehicles can put our domestic companies on a level playing field with the foreign companies. Currently, the few hybrids produced by the domestics use technology imported or licensed from foreign owned companies, and all of the purely hybrid vehicles are imported. Other fuel saving technology, such as alternative fuel or bio-fueled engines, have been developed in other countries, with help by other government's programs, and are being imported to the U.S. The small, efficient diesels Jeep puts in the Liberty comes from the country that invented the diesel engine, Germany. Brazil has developed a national policy of fueling vehicles with ethanol, and has become totally independent of foreign oil, and so has become a leader in ethanol-fueled vehicles. A similar move in America must be lead by the federal government. The cost cannot be born by autoworkers alone, and foreign companies should not be allowed to fill the gap in the market by displacing American workers. It also makes no economic sense to have tax incentives for buying alternative fuel vehicles that provide jobs for foreign workers. Under a "Marshall Plan", tax incentives should be given to U.S. producers of alternative or fuel-saving vehicles, and become part of lowering the cost to consumers.

The biggest difference between the domestic- and foreign-owned workforce and facilities is the age of both. The oldest Honda facility in operation is part of their Marysville,Ohio operations which began in 1982, but most Toyota, Nissan, Isuzu, Honda and Hyundai and BMW factories are less than ten years old. The Big 3 have some new facilities, like the new GM factory here in Lansing, a new Ford assembly plant in Dearborn, and a new Chrysler complex in Toledo, but by and large, domestic auto plants are much older and therefore, less technologically advanced. A "Marshall Plan" can offer tax incentives for replacing older, less energy efficient facilities with new, thus reducing emissions and helping domestic companies compete.

The newest and most efficient domestic facilities have been staffed with their current workforce, while the new foreign-owned facilities start with a whole new workforce, trained with taxpayer funds. While I would pick our older, experienced and skilled workforce over a new and less experienced one, their labor costs have a huge difference across the board. They have nearly zero pension and retiree health care costs. Think of it. While GM, Ford and Chrysler, and most domestic auto parts manufacturers have been in operation, the workers have been accruing and the corporations have been paying pensions and retiree health care. Again, this is not something autoworkers can fix, unless you expect them to throw all of our retirees off their backs and onto the states'. Foreign car companies don't offer the kind of benefits in America that the domestics have for decades. In Japan, Korea, and Germany, pensions and health care are obligations of government, not corporations. And by the way, foreign corporations that oppose unionization in the United States have heavily unionized workforces in their own countries. A "Marshall Plan" for the U.S. auto industry would address pension and health care inequities between the companies that operate in the U.S., and help our companies deal with the skyrocketing costs of health care for the people that have contributed to their success for decades, our retirees.

In closing, let me point out the differences in employment of American workers by the domestic Big 3 versus foreign-owned auto companies. Toyota, Honda and Hyundai have all had media campaigns asserting their contribution to the American economy by providing jobs in America. While we certainly welcome the jobs and revenue they provide, and we can look forward to the 1000 or so jobs Toyota will be bringing to Michigan shortly, the facts are that the domestic auto companies still provide a far larger number of jobs and proportionally have a larger impact on the U.S. economy than foreign-owned companies. Helping Ford, GM and Chrysler in turn helps far more American taxpayers than helping Toyota, Nissan, Honda, Hyundai or any of the other foreign car companies. I would refer you to the recent article I have provided, entitled "LFI Jobs Index 2007" by the Level Field Institute. The charts beginning on page 5 tell at a glance what the comparative impact is of vehicle production and sales.

Thank you for your time, and I'll take questions and answer any I can, or get the Committee the answers as soon as possible.

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cc: Dick Long
Michigan Regional Directors
MI CAP Staff

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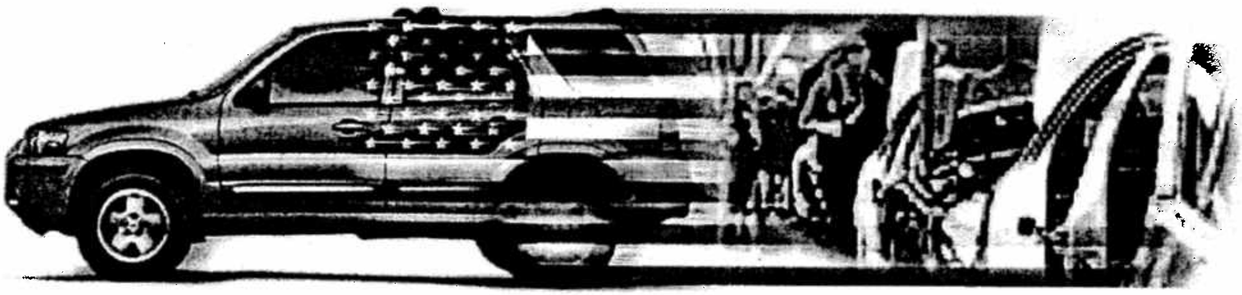
LFI Jobs Index 2007



How will buyouts and layoffs at domestic automakers affect the importance of "buying American"?

A report from the Level Field Institute, January 2007

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HIGHLIGHTS

- Historic buyouts at GM and Ford will reduce domestic automakers' "jobs advantage" only modestly in 2007 -- with domestic automakers supporting approximately 2.5 times more U.S. jobs per car than the average foreign automaker.

- Had Ford, GM and Chrysler Group reduced their U.S. investment to match foreign automakers' 2007 U.S. investment, another 158,000 U.S. jobs would likely be lost this year.

- Despite adding a new U.S. plant, Toyota's jobs performance dropped slightly in 2006 (due partly to an increase in imports), and Toyota's job performance could drop slightly again in 2007. Domestic automakers, on average, will likely support 2.5 times more jobs than Toyota this year.

- Honda remains the best jobs performer among the major foreign automakers. Domestic automakers will likely support 1.7 times more jobs, on average, than Honda this year.

- Hyundai, on the other hand, ranks lowest among major automakers. Domestic automakers will likely support nearly 7 times more U.S. jobs, per car, on average, than Hyundai (including Kia).

Jobs Outlook 2007 (continued)

LFI's U.S. Jobs Per 1000 Cars Analysis

By dividing the number of an automaker's U.S. employees by the number of autos that company is projected to sell in 2007, Level Field provides a jobs per car ratio (provided here on a jobs per 1000 cars sold basis, for ease of comparison).

The results may be surprising to some observers. Historic buyouts at GM and Ford will reduce domestic automakers' "jobs advantage" only modestly in 2007 -- with domestic automakers supporting approximately 2.5 times more U.S. jobs per car than the average foreign automaker.

Despite adding a new U.S. plant, Toyota's jobs performance dropped slightly in 2006 (due partly to an increase in imports), and Toyota's job performance could drop slightly again in 2007. (Domestic automakers, on average, will likely support 2.5 times more jobs than Toyota this year.)

Honda remains the best jobs performer among the major foreign automakers. Domestic automakers will likely support 1.7 times more jobs, on average, than Honda this year.

Hyundai, on the other hand, ranks lowest among major automakers. Domestic automakers will likely support nearly 7 times more U.S. jobs, per car, on average, than Hyundai (including Kia).

U.S. Jobs Per 1000 Cars Sold

To measure the significance of these differences, we calculate how the entire U.S. auto industry would have contracted if every automaker were to operate at the foreign automaker average. Applying the foreign automaker jobs per car average (likely, 14 jobs per 1000 autos this year, on average) to domestic automakers (which could support 33 jobs per 1000 autos this year, on average) indicates that 158,000 (or about 42%) of the approximately 379,000 remaining U.S. automaker jobs could be lost.

2010 Job Outlook (continued)

Significance of Turnarounds at Domestic Manufacturers

On the other hand, if GM and Ford's turnarounds were to fail, and the domestic automakers would either be replaced by or otherwise contract to the same level of U.S. investment projected for foreign automakers, more than 150,000 other U.S. jobs might be lost.

Current	2010 - Scenario I	2010 - Scenario 2
	Turnarounds at Big 3 succeed - industry maintains split, with domestic manufacturers continuing to have nearly 2.5 x job advantage	Turnarounds at Big 3 fail - industry contracts to foreign automaker investment footprint through acquisitions, strategic partnerships or further cuts
Domestic manufacturers at 33 jobs per car Foreign manufacturers at 14 jobs per car Industry average of 23 jobs per car	Domestic manufacturers at 33 jobs per car Foreign manufacturers at 14 jobs per car Industry average of 22 jobs per car	Domestic manufacturers and foreign manufacturers each operating at 14 jobs per car
16,250,000 cars sold	**17,250,000 cars sold**	**17,250,000 cars sold**
380,000 jobs in U.S.	386,000 jobs in U.S.	236,000 jobs in U.S.
		Additional 150,000 jobs lost
		Industry contracts an additional 39%
		1,400,000 other U.S. jobs threatened++

+ For ease of comparison, figures shown for 1000 autos.
++ Total job impact based upon the Center for Automotive Research "multiplier" of 10.4, which is based on the assumption that each auto manufacturing job generates 9.4 other U.S. jobs.

Sources and Methodology

Sales and market share projections for 2007-10 are generally consistent with recent analyst estimates. GM, Ford and Chrysler Group employment estimates for 2007 and 2010 assume announced buyouts are completed by December 2007, with some Ford hourly buyouts offset by temporary workers and some salary cost savings obtained by cutting contract workers. We assume Chrysler Group will reduce its workforce 7.5% in 2007. For "foreign automakers" as a group, we use AIAM's 2006 estimate, factoring in a portion of anticipated increases through 2009. Honda, Toyota, Nissan and Hyundai's 2007-10 job estimates are based on their respective websites, ads and press statements. In some cases, we adjust the company's stated figures on its website upward based on recent press statements.